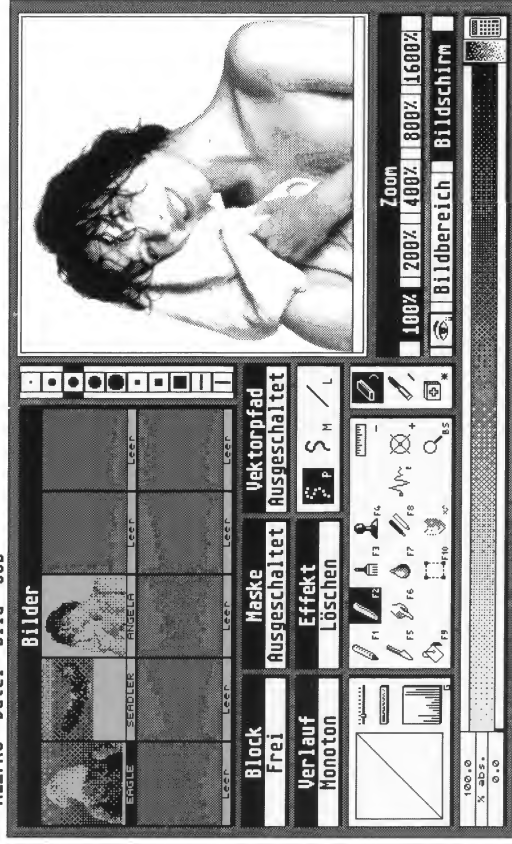


# 1991 SECOND QUARTER REPORT

# ATARI

**ATARI®**  
Atari Corporation  
1196 Borregas Avenue  
Sunnyvale, CA 94089-1302

RE\_PRO Datei Bild Job



## President's Message

Sales for the second quarter of 1991 were \$49.2 million as compared to \$84.9 million for 1990. During the quarter, sales were adversely affected by the Company's transition to subcontractors for assembly operations, as well as poor economic conditions in Europe, and the adverse effects of exchange rates.

Net income for the quarter was \$30.4 million, or \$.53 per share, as compared to \$1.5 million, or \$.03 per share, for 1990. During the quarter, the Company sold the land and building of its Taiwan manufacturing facility, which resulted in a gain of \$40.9 million after deducting certain expenses, including severance and land transfer tax, which were directly associated with the closure of the facility. The income generated by the sale of the facility is subject only to land transfer tax.

As a result of adverse exchange rates during the quarter, the Company experienced a loss on exchange of \$4.1 million as compared to an exchange gain of \$1.7 million for the same quarter of 1990.

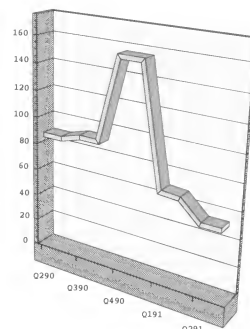
In the second quarter of 1991, interest expense net of interest income was reduced to \$0.8 million as compared to \$1.2 million in 1990 as a result of the Company's repurchase of part of its 5¼% subordinated convertible debentures.

Since year end, the Company has reduced inventories by \$18 million, eliminated all short term debt, amounting to approximately \$28 million, and has a current cash position of approximately \$65 million. At June 30, 1991, the Company's current ratio improved to 4:1, compared to 2:1 in December 1990, and its debt to equity ratio improved to 0.8 as compared to 1.7 at December 1990.

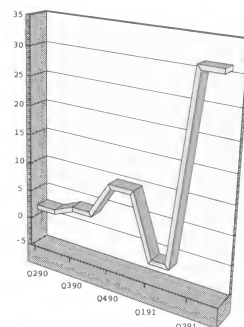


Sam Tramiel, *President*

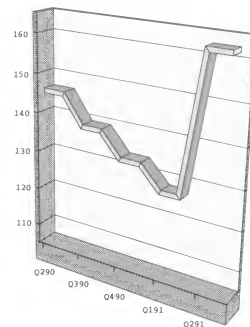
Net Sales  
(\$ millions)



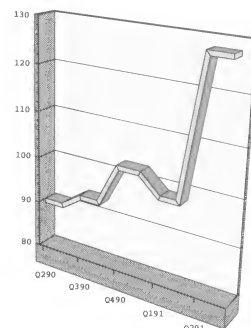
Net Income  
(\$ millions)



Working Capital  
(\$ millions)



Shareholder's Equity  
(\$ millions)



**ATARI CORPORATION**  
**Consolidated Balance Sheets**  
**(IN THOUSANDS—Unaudited)**

	<i>June 30</i> <i>1991</i>	<i>June 30</i> <i>1990</i>
<b>Assets</b>		
CURRENT ASSETS:		
Cash and equivalents	\$ 64,739	\$ 23,517
Trade receivables (less allowance for returns and doubtful accounts: 1991, \$5,178; 1990, \$6,942)	46,175	64,275
Inventories	95,954	165,991
Other current assets	4,249	4,128
Current tax assets	1,352	10,322
Total current assets	212,469	268,233
PROPERTY, net	7,158	13,970
OTHER ASSETS	4,533	9,794
TOTAL	<u>\$ 224,160</u>	<u>\$ 291,997</u>
<b>Liabilities and Shareholders' Equity</b>		
CURRENT LIABILITIES:		
Notes Payable	\$ —	\$ 20,956
Accounts payable	36,184	64,988
Net current liabilities of discontinued operations	—	14,485
Income taxes payable	665	(359)
Accrued liabilities	14,431	23,156
Total current liabilities	51,280	123,226
LONG-TERM OBLIGATIONS	46,002	79,060
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value: authorized, 100,000,000 shares; (outstanding: 1991, 57,623,042; 1990, 57,712,510)	576	577
Additional paid-in capital	143,170	143,328
Notes receivable from sale of common stock	(199)	(635)
Accumulated deficit	(12,646)	(52,855)
Accumulated translation adjustments	(4,023)	(704)
Total shareholders' equity	126,878	89,711
TOTAL	<u>\$ 224,160</u>	<u>\$ 291,997</u>

# ATARI CORPORATION

## Condensed Consolidated Statements of Operations

(IN THOUSANDS—Unaudited)

	<i>Quarter Ended</i>		<i>Six Months Ended</i>	
	<i>June 30, 1991</i>	<i>June 30, 1990</i>	<i>June 30, 1991</i>	<i>June 30, 1990</i>
<b>Net Sales:</b>	<u>\$ 49,210</u>	<u>\$ 84,895</u>	<u>\$ 112,654</u>	<u>\$ 170,442</u>
Operating Income (Loss)	(5,783)	1,152	(6,937)	1,465
Exchange Gain (Loss)	(4,143)	1,720	(8,126)	3,006
Other Income (Expense), net	(355)	(1,047)	871	(1,269)
Gain from sale of Taiwan Manufacturing Facility	<u>40,920</u>	<u>—</u>	<u>40,920</u>	<u>—</u>
Income Before Income Taxes and Extraordinary Item	30,639	1,825	26,728	3,202
Provision for Income taxes	<u>244</u>	<u>300</u>	<u>280</u>	<u>129</u>
Income before extraordinary item	30,395	1,525	26,448	3,073
Extraordinary Item	<u>—</u>	<u>—</u>	<u>1,960</u>	<u>—</u>
Net Income	<u>\$ 30,395</u>	<u>\$ 1,525</u>	<u>\$ 28,408</u>	<u>\$ 3,073</u>

### Earnings Per Common and Equivalent Share:

#### PRIMARY

Income before extraordinary item	<u>\$ 0.53</u>	<u>\$ 0.03</u>	<u>\$ 0.46</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.53</u>	<u>\$ 0.03</u>	<u>\$ 0.49</u>	<u>\$ 0.05</u>
Number of shares used in the computation	<u>57,696</u>	<u>57,754</u>	<u>57,722</u>	<u>57,871</u>

#### FULLY DILUTED:

Income before extraordinary item	<u>\$ 0.51</u>	<u>\$ 0.03</u>	<u>\$ 0.46</u>	<u>\$ 0.05</u>
Net income	<u>\$ 0.51</u>	<u>\$ 0.03</u>	<u>\$ 0.49</u>	<u>\$ 0.05</u>
Number of shares used in the computation	<u>60,372</u>	<u>62,357</u>	<u>60,398</u>	<u>57,873</u>

*The illustration on the front cover is a screen displayed on an Atari TT030™ showing Retouche Professional by 3K Computerbild which provides leading technology for professional preparation of materials for printing.*